

What is not stated in the debate, was and still is, that the rates in Australia are on the value of the land, and therefore a tax on “an instrument of production” for agriculture, It is a tax on working capital. Normal business pays the tax on where it employs its capital. Consequently after a series of changes the UK rates are on dwellings and never on land value.

The issue with the widest adverse commercial effect is in the third level of government, known as local government. Other State Government authorities and institutions add to the cost burden of agriculture and the difficulty of establishing a cost base for dairy.

The reason for using the term, “the third level of government” is to emphasise that it consists of many parts; called variously, shires , councils, municipalities etc going to make up the whole, created to serve the State’s entire community. Such an entity has an overall cost that, under existing conditions is not shared equally.

Persuading politicians or government departments to make the necessary change to correct this imbalance is difficult. Using the term ‘local government’ creates a mind-set reverting to a shire, council etc and is then thought of and treated as, an individual not as a part of the whole.

The reality facing a shire or council in the twenty first century, that it is only a part of a whole, does not register in the minds of politicians or bureaucrats when seeking change.

This is understandable when the history of local government in Australia from cc 1830 reveals the growing pains involved, due to population and finance expansion and contraction, along with technological change, has always been treated as a collection of single units.

It may also explain the reluctance in the Government Departments to make what they would consider, radical change.

Because the third level of government consists of many parts, there is differing costs for each and the contribution to the State’s and national wealth varies considerably, depending on resources available within the individual part, or local government area (LGA).

It could be concluded that in some respects rural LGAs are producing and city/coastal are consuming, without the ability to pay for the benefits received. Rural LGAs then tax rural land to make up the financial deficit with dairies the hardest hit because they occupy the highest value land.

An example of differing costs between neighbouring councils: a Tumut dairy farmer in 2007 was paying \$17,000 in shire rates and a similar sized dairy in neighbouring Wagga Wagga City Council was paying \$3,000.

On grazing land, Tumut rates per Ha are twice those in Gundagai and Wagga Wagga and six times for Wakool. There is a publication put out by the NSW Dept of Local Government making out that the assessments do not vary greatly between all LGAs in NSW. For a more meaningful analysis, cost per Ha is a better measure.

A further complication is that dairies are for the most part located on land classed as river flats and has the highest rating of the land classes.

The LGSA NSW in their report “Are Councils Sustainable?” May 2006 stated the average assessment for cities \$600, Urban Rural \$400 and rural \$1,470. 8% of all rate requirements for the State came from rural land bringing in a total of \$179,000,000. ABS data from the 2004 census showed 40,800 farm families on rural land. ABS no longer collect this data on farm families because of the number

of corporate landholders. Farm families at less than 2% of the population, with or without corporate owners, are paying a disproportionate share of tax. In times of natural disaster or commodity downturn occasioning financial loss, the tax has to be paid.

Family or corporate makes no difference; farm production is sold on commodity markets or at auction, dairies accept the price set by processors, so that costs imposed cannot always be recovered. Council rates are a tax on working capital that normal businesses do not pay. Normal business pay's tax on where their business is located.

Export

From the above, competition within Australia is difficult, but exports are competing with countries that have higher population densities, short delivery distances, drought a non entity, major flooding localised by our standards and a system of governance that provides for farms to be paid for produce and environment/amenity stewardship. Production from agriculture has been controlled by market requirement, giving rise to "Layoffs" and compensation for not growing a crop. Lessons were learned from the Common Agriculture Policy (CAP) to avoid a repeat of wine lakes and butter mountains. When recently the EU ceased control of milk production oversupply combined with Russian trade ban resulted in contributing to the dairy crisis here.

Time and effort spent by the Federal Government in negotiating free trade agreements is questionable when our own situation can be remedied through Council of Australian Governments (COAG), thereby avoiding States Rights issues and importantly, levelling the playing field in governance matters with regard to trade.

Other state government authorities and institutions are an issue for the dairy industry and share equally the disadvantages bestowed on agriculture and forestry. The most direct is irrigation infrastructure maintenance (not the cost of water itself) and in NSW Local Land Services (LLS). The original provision of irrigation infrastructure was to develop vast areas of the inland that with irrigation would increase productivity, provide a means of decentralising cities and benefit the general public .

The functions of LLS is the modern version of Pasture Protection with add-ons for the environment, paid for by the few landholders for the many to provide the demands of the public and food security, but the providers cannot recoup the cost in the price of goods sold.

This is recognised by the ACF in advocating stewardship payments where environmental benefits are concerned, so the above is only an extension of the concept and recognition of the principle of final user pays.

The Alternative

By adapting the UK rating method for the third level of government in Australia and de-rating all rural land many problems cease to exist. Using dwellings as the rating base, has no affect on land values, It removes the practice of a sale of land or building raising the rates of neighbouring properties with the inconvenience and hardship that so often occurs.

However, with Australia building the largest dwellings in the world, a dwellings based tax would act as an incentive to return to less ostentatious housing.

By expanding the role of local government to include the cost of administering irrigation infrastructure, weed and animal control, on the same level of control as private land and LLS in NSW, the cost would be recovered by showing on assessments under separate categories, the charge for environment and infrastructure, in the same way as water, sewage, garbage are currently listed on assessments.

Future Predictions

Enquiries since my letter show that the future for dairying in the Tumut district, with possible flow on effect for the Riverina, is for collapse unless action is taken.

The geographical features of the Tumut region are highly favourable for dairying. Many creeks with river flats have water available, backed up by rainfall patterns better than for most of the Riverina. Consequently there were over 80 dairies supplying a butter factory at Tumut. Consumer preferences and technological advancement reduced the number of dairies, closing the butter factory cc 1970s and raw milk transported to a processor in Wagga.

Deregulation of milk caused financial hardship and the number of dairies reduced to below ten. Now there are two. One near Tumut is under threat of having part of its land, not the river flats, re zoned for future housing.

If that dairy closes then the other would in all probability close because transporting milk from one supplier would be unviable.

The ACCC request for feedback on 1 and 2 is that there is only one processor in Wagga, the next nearest, possibly Bega or Sydney.

The escalation of council rates on this grazing property would be mirrored on those dairies. In 1978 the rates were \$900, by 1990 over \$6,000 and still payable with the wool market crash and increasing droughts. In that period a number of significant technological changes did lift output, but shire rates always reduced financial capacity to provide for drought and commodity downturn.

Before 1991, 75% of Tumut Council rates were paid by farmers who were 25% of population. Now it is 40% of rates from rural land. This bias against agriculture is not confined to NSW. A newly elected Ganawarra Council in Vic put 48% total rates on 13% of population who were mainly dairy farmers. Horsham Council increased rates by charging 8,000 city assessments \$46.00 and 500 rural assessments at \$640.00.

A new development since my letter is the draft report from IPART heavily biased in favour of the builders and developers sector at the expense of rural land.

This is totally counterproductive for dairying as dairies would be confined to river flats, risk of flooding with no high ground to move stock onto and possible incompatible interests of urban dwellers as near neighbours.

Tumut has some one acre housing blocks that it is proposed to subdivide into four. In the UK as many as eight or ten well appointed terraced homes with a garage and four floors would be built on one acre. Most rural towns and cities have the capacity to build more dwellings within existing boundaries.

Competition?

Using land value as a base for rates fosters anticompetitive behaviour and questionable conduct.

As mentioned in my letter, the Prices Justification Tribunal (PJT) was an effective tool against buying power and the concern over one dollar per litre milk price could not eventuate due to the inability to juggle margins on other commodities produced and all drinking milk sold at the same price ex processor door.

Having a PJT does not necessitate the aggressive stance of the original, rather it would give guidance for a fair price for dairy farmers, allow for group bargaining and oversee rise and fall clauses in contracts.

This does not preclude competition between farmer and farmer, or processor and processor. As in the timber industry, quality, service and financial arrangements win the day.

Certainty for the future determines investment options for dairy farms because new technology is very expensive with limited opportunity to recover debt. A tractor or harvester sells readily by comparison with an automated milking machine, or methane power plant.

It is suggested that a revamped PJT would provide certainty.

Animal Rights

Animal activism has just identified the treatment of male calves in the dairy industry as an issue. The individuals concerned with animal rights are entitled to their beliefs, but they do not suffer the personal inconvenience, or financial burden they seek to impose on dairy farms, piggeries and egg production. Practical experience in dealing with large numbers of animals is beyond their ken, their actions are based on emotion not reason.

Yours faithfully

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